

Message Text

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ACTION EUR-12

INFO OCT-01 IO-14 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-01 INR-10 NSAE-00 ICA-20 TRSE-00 XMB-04
OPIC-06 SP-02 LAB-04 SIL-01 OMB-01 PA-02 AGRE-00
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-----105375 151600Z /50

P 151328Z MAY 78
FM AMEMBASSY BUCHAREST
TO SECSTATE WASHDC PRIORITY 9539
INFO AMEMBASSY BELGRADE
AMEMBASSY BERLIN
AMEMBASSY BUDAPEST
USMISSION GENEVA
AMEMBASSY MOSCOW
AMCONSUL MUNICH
USMISSION USNATO
AMEMBASSY PRAGUE
AMEMBASSY SOFIA
AMEMBASSY WARSAW

UNCLAS BUCHAREST 3256

E.O. 11652: N/A
TAGS: EALR, ECSM, ELAB, RO
SUBJECT: PRICE INCREASES

REF: (A) BUCHAREST 1837, (B) BUCHAREST 0001

1. SUMMARY. SERIES OF LIMITED PRICE INCREASES WERE INSTITUTED MAY 10, ALTHOUGH ONLY OFFICIALLY ANNOUNCED MAY 12 IN PRESS. FOLLOWING PRICES WERE MOST SIGNIFICANTLY AFFECTED: (1) COFFEE - 65 PERCENT, (2) IMPORTED BEER - 15 TO 20 PERCENT, (3) SERVICES - 13.1 PERCENT, AND (4) INTERCITY RAIL TRANSPORT - 22 PERCENT. URBAN MASS TRANSIT FARES WILL ALSO REPORTEDLY RISE IN NEAR TERM AFTER DISCUSSIONS BY "COLLECTIVES OF WORKERS". CURRENT INCREASES HAD BEEN EXPECTED FOR SOME TIME AND ACCORDING TO UNCLASSIFIED

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OFFICIAL REPORTS WILL NOT CAUSE FYP TARGET FOR PRICE INCREASES (5-6 PERCENT) TO BE EXCEEDED. NO MANIFESTATIONS OF CIVIL DISCONTENT RELATED TO THESE INCREASES ARE EXPECTED. END SUMMARY.

2. MAY 10 SCINTEIA SUMMARY OF PREVIOUS DAY'S SESSION OF POLEXCO NOTED THAT REPORT ON PRICE INCREASES FOR TRANSPORTATION

FARES, COST OF CONSTRUCTION AND REPAIR SERVICES TO POPULATION AND COST OF CERTAIN IMPORTED CONSUMER GOODS WAS EXAMINED AND APPROVED. NO DETAILS OF MAGNITUDE OF INCREASES WERE PROVIDED UNTIL MAY 12 SCINTEIA REPORT WHICH GAVE DETAILS AS FOLLOWS:

A. IMPORTED CONSUMER GOODS:

- (1) COFFEE - 65 PERCENT
- (2) PEPPER - 50 PERCENT
- (3) OLIVES - 70 PERCENT

B. SERVICES TO POPULATION:

- (1) TAILORING AND SEWING - 10 PERCENT
- (2) UPHOLSTERING - 23 TO 24 PERCENT
- (3) CLEANING AND WASHING - 8 TO 10 PERCENT
- (4) BARBERS AND HAIRDRESSERS - 30 AND 10-25 PERCENT, RESPECTIVELY.
- (5) REPAIR OF SEWING MACHINES - 8 PERCENT
- (6) REPAIR OF GAS STOVES - 8 PERCENT
- (7) REPAIR OF ELECTRIC EQUIPMENT - 10 TO 13 PERCENT

C. INTER-CITY TRANSPORTATION

- (1) RAILROADS - 22 PERCENT
- (2) NAVAL - 58 PERCENT

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OFFICIAL BULLETIN DATED MAY 9 ALSO CITED INCREASE OF 15 TO 20 PERCENT IN PRICE OF IMPORTED BEER.

3. COMMENT: TIMING OF PRICE INCREASES AND SUDDEN ABUNDANT SUPPLY OF AFFECTED FOODSTUFFS SEEM CAREFULLY ORCHESTRATED TO REDUCE POTENTIAL FOR ANY PUBLIC MANIFESTATIONS OF DISCONTENT, WHICH GIVEN PAST HISTORY IS MINIMAL TO BEGIN WITH. IN SPRING, LIFE IS EASIER TO BEAR IN ROMANIA AS IN OTHER COUNTRIES, AND MANY FRESH FOODS WHICH WERE IN SHORT SUPPLY BECAME AVAILABLE.

4. PRICE INCREASES, PARTICULARLY IN TRANSPORTATION FARES, HAVE BEEN EXPECTED SINCE JANUARY (SEE REFTEL A). OFFICIAL JUSTIFICATION PROVIDED IN PRESS CENTERS ON FACT THAT AFFECTED PRICES HAVE BEEN STABLE FOR ROUGHLY 20 YEARS, WHILE DOMESTIC COSTS AND WORLD MARKET PRICES HAVE RISEN, THE LATTER QUITE SHARPLY. PRICE HIKES FOR SERVICES AND TRANSPORTATION FARES WERE ALSO RELATED TO PLANS FOR ECONOMIC REFORM THROUGH ELIMINATION OF STATE SUBSIDIES TO RESPECTIVE SECTORS. FURTHER, NEXUS WAS ESTABLISHED BETWEEN RISE IN PRICES FOR SERVICES AND NEED TO HAVE BENEFICIARIES REALIZE WAGE INCREASES CORRESPONDING TO THOSE RECEIVED IN OTHER SECTORS.

5. OFFICIALLY, EVEN WITH CURRENT HIKE, FYP TARGET OF 5-6 PERCENT FOR INFLATION (SEE REFTTEL B) WILL NOT BE EXCEEDED. AS NOTED IN REFTTEL A, HOWEVER, WE BELIEVE ACTUAL INFLATION RATE TO BE SIGNIFICANTLY HIGHER. CURRENT INCREASES SHOULD HELP FUEL THIS RATE DUE TO PARAMOUNT IMPORTANCE OF PUBLIC TRANSPORTATION IN ROMANIAN LIFESTYLE AND GROWING SHARE OF ECONOMY DEVOTED TO SERVICE SECTOR.

6. TWO DISCREPANCIES SHOULD BE NOTED WITH RELATION TO ANNOUNCEMENT OF PRICE INCREASES. IN FIRST CASE, POLEXCO REPORTEDLY APPROVED INCREASE FOR AIR TRAVEL FARES WHICH WAS NOT MENTIONED WHEN ACTUAL INCREASES WERE CITED. SECONDLY, PRICE INCREASE FOR BEER WAS ONLY REPORTED IN OFFICIAL BULLETIN

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AND NOT MENTIONED IN SCINTEIA PRESS REPORTS. PERHAPS AUTHORITIES FELT THAT DISCUSSION OF HIKE IN PRICE OF BEER WOULD BE RATHER SENSITIVE IN A "WORKER'S DEMOCRACY". DETAILS OF INCREASES IN MASS TRANSIT FARES WILL BE REPORTED WHEN ANNOUNCED. AGGREY

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